

GENERAL GOVERNMENT CIP PROJECT UPDATE

Project Name: City Campus Project (increase)

Project Cost: \$2,200,000 sales tax on construction for debt service payments
 \$1,070,799 unallocated general government CIP money
 \$400,000 one-time transfer from General Fund for future debt service
 \$1,500,000 one-time transfer from Council CIP Contingency

Project Description: As early as 1996, Council and staff began discussions with the Redmond City Council regarding the significant space shortage that exists for City employees. In 1998, the City commissioned a study by Cal Jordan to determine the extent of the space deficit and conversely the potential size of a new building. Current discussions have centered around a 94,000 square foot building with a 402-stall parking structure.

In the 2001-2002 budget, Council approved a \$10 million allocation to this project. The cash balances in this project are expected to earn approximately \$242,000 in interest between 2003 and 2005. Additional unallocated sales tax on construction in 2007 and 2008 will be used to support potential debt service payments on the new building.

Funding Description: Future Space Needs Contingency: This contingency was created in 1996 and consists of a portion of the money generated from the sale of the City's interest in the King County Library. The contingency currently totals \$852,926.

City Annex Allocation: In 1996, the City Council set aside \$375,000 toward the purchase of the City Annex (Bayside Building) to address ongoing space needs. Rather than purchase this building, the City decided to reserve these monies until a final decision was made regarding future City Hall facilities.

FTE Allocation: In 1998, the City Council approved the addition of eight new FTEs to expedite the City's Capital Investment Program. During that discussion, \$160,000 or \$20,000 per FTE was set-aside from the General Fund to address space needs for the new employees.

1998 Year-end Surplus Allocation: The City ended 1998 with a surplus of \$1,141,170. In August 1999, the Mayor recommended and the Council approved setting aside this money for the City Campus project. Redmond's fiscal policies allow year-end surpluses to be spent on one-time emergency capital items or placed in the Capital Investment Program.

General Government Unallocated Revenue: A total of \$1,298,061 of unallocated General Government CIP revenues has been allocated for City space needs. This money has been included in the 2001-2006 CIP budget for the City Campus project. The General Government CIP receives 5% of general CIP revenues as part of the CIP functional area allocations. General CIP revenues include the 5% transfer from the General Fund and Real Estate Excise Tax.

Utility Contribution: A portion of the project funding (\$2,550,815) has been budgeted to come from Water/Wastewater, Stormwater, and Solid Waste/Recycling based on the space they are projected to occupy in a new facility. The amount of these contributions is based on the original cost estimate of \$300 per square foot for building space. The projected square footage and cost for each utility are as follows:

Utility	Square Feet	Cost
Water/Wastewater	4,685	\$1,405,560
Stormwater	3,401	\$1,020,345
Solid Waste/Recycling	416	\$124,910

To the extent that the square footage needed by these three divisions is changed, the dollar amount of the contributions will be recalculated.

Local Improvement District (LID) Revenue: Included in the City Campus funding is one-time revenue totaling \$3,014,176 from the City's LID Guaranty Fund. By law, the City must maintain a reserve of at least 10% of the net outstanding obligations of LID bonds. These reserve amounts are placed in a designated LID Guaranty Fund. The City can choose to maintain an amount larger than the 10% of net outstanding obligations based upon projected future obligations guaranteed by the fund.

Prior to 1998, the City was holding reserves in excess of the 10% requirement due to the anticipated formation of a \$30 million utility local improvement district in the Urban Planned Development (UPD) area to construct a water and sewer system. Once it was determined that the developer of the UPDs would pay for the water and sewer system, a portion of the money in the LID Guaranty Fund was freed up for other uses. Staff recommended that the money go toward the City Campus project.

RCW 35.54.095 allows for the transfer of assets from the LID Guaranty Fund into the General Fund as long as the remaining balances of the LID Guaranty Fund constitute sufficient resources to meet the outstanding obligations of the fund reasonably expected to be incurred in the future. Numerous conversations have been held with the City Attorney and staff about the ongoing use of LIDs as a financing mechanism given the level of complexity, the legal issues, time, and expense associated with LIDs. Redmond does not foresee continuing to use this financing tool in the future and will maintain the LID Guaranty Fund at the minimum requirements governing LID Guaranty Fund balances.

General Fund Transfer: A one-time General Fund transfer of \$607,852 has been budgeted for the City Campus project. These funds represent one-time monies from the General Fund and consist of anticipated over-collections of revenues and departmental savings from the 1999-2000 biennium.

Interest Earnings: Between 2001 and 2006 approximately \$1.3 million in interest will be earned on the unspent cash balances in this project.

Sales Tax on Construction: \$1.1 million in sales tax on construction is transferred each year from the General Fund. These funds have been allocated in various CIP projects through 2006. In addition, \$1,070,799 of unallocated general government revenue has been placed in the City Campus project to offset potential debt service costs associated with the new building.

One-time transfer from General Fund: Included in the 2003-04 budget, the Council directed a one-time transfer of \$400,000 to the General Government CIP toward future City Hall debt service payment.

One-time transfer from Council CIP Contingency: Included in the 2003-04 budget, the Council directed \$1.5 million from unallocated Council CIP contingency for the City Hall project.